

Introduction

Malaysian companies can now have the option to settle their trade transactions with their counterparts in China in Renminbi (RMB) in addition to other currencies such as the US dollar. All current account (goods and services) transactions are eligible for trade settlement in RMB. Since July 2009, China's government has started the use of RMB for settlement of cross-border trade.

Settlement in RMB may reduce the foreign exchange risk for exporter and importers from China and this can result in better pricing of goods and services transactions for Malaysian companies.

Malaysian companies will also benefit from savings from the currency conversion spreads as it is now a direct quote from RMB to Ringgit.

Frequently Asked Questions and Answers

What is the difference between renminbi and yuan?

Both are the same. Renminbi is the official currency of the People's Republic of China. Renminbi (abbreviated RMB) is the formal term most often used by Chinese officialdom to refer to the currency. Literally, it means "People's Currency". The yuan meanwhile is the actual unit. ISO code for the currency however is CNY (Chinese yuan).

Who are eligible for trade settlement in RMB?

Any importer in 20 provinces in China can pay RMB to any company outside of China. A list of eligible exporters (known as Mainland Designated Enterprises or "MDEs") in the 20 provinces can receive RMB from any company in the world. (Source: www.pbc.gov.cn)

Where are the 20 provinces?

Beijing, Chongqing, Fujian, Guangdong, Guangxi, Hainan, Heilongjiang, Hubei, Inner Mongolia, Jiangsu, Jilin, Liaoning, Shandong, Shanghai, Sichuan, Tianjin, Tibet, Xinjiang, Yunnan, and Zhejiang. (Source: www.pbc.gov.cn)

Who are the MDEs?

Malaysian companies need to check with their Chinese exporters whether their Chinese counterparts are eligible to receive RMB from outside mainland China. Currently there are approximately more than 67,000 MDEs. (Source: www.pbc.gov.cn)

Which Malaysian banks currently providing trade settlement in RMB?

Among others are AmBank, Bank of China, CIMB, Citibank, Hong Leong, HSBC, ICBC, Maybank, OCBC, Public Bank, RHB, Standard Chartered and UOB.

Where can a company obtain CNY/MYR exchange rate for a specific trade settlement transaction?

For general CNY/MYR exchange rate information, one can refer to Bank Negara Malaysia's website, commercial banks' websites, Reuters and Bloomberg. For specific trade settlement transaction, please contact your bank for the exact exchange rate offered. Please specify to your bank you need CNY/MYR quotation for 'trade settlement'. This is important as the quotation for 'trade settlement' is more competitive compared to other purposes.

What are the products / services provided by banks for RMB trade settlement?

There are varieties of products / services provided by banks including:

- Issuance and payment of LC
- Bank guarantee as payment guarantee for supply of goods
- Inward and outward TT
- Advising, confirmation and export bill for payment under Letter of Credit
- Documentary Collection (Import and Export)
- RMB foreign currency accounts

Please refer to your bank for details of products and services offered.

If a company in Malaysia has another CNY account with another bank in Malaysia, can the company transfer RMB between these two CNY accounts?

Yes.

Is there a minimum transaction size for settling trade in RMB?

No.

Is there a fee / charge imposed by banks on RMB trade settlement facility?

Normally banks will impose certain amount of fees / charges on products and services offered. However, there should not be any difference in terms of fees charged for RMB settlement compared to other foreign currency services offered by the banks. You are advised to refer to your bank for details of fees and charges imposed on the respective RMB products and services offered.

Malaysian Importer

How can a company remit RMB to their counterpart in China for trade settlement?

It is necessary for a company to provide documentary evidence that proof the remittance/ trade settlement is trade related. The remittance transaction must be related to actual trade and up to the actual trade amount. In addition, the company's counterpart in China must be an approved MDE.

Can I pay RMB to any company in China?

Malaysian importer can only pay to MDEs presently.

Are companies allowed to open a RMB account in advance of establishing a relationship with an MDE?

Yes.

Can a Malaysian company contract a foreign exchange forward on RMB?

Forward hedging is not allowed in the pilot stage but Malaysian companies may buy RMB ahead of a valid trade outward payment to MDEs up to the actual trade transaction. However, proof of the valid trade transaction is required and at the final discretion of the Bank.

Malaysian Exporter

Can a customer in Malaysia retain the RMB proceeds in their CNY account which they received from the Pilot Enterprise?

Yes. They can put the RMB in deposits and earn interest, or they can keep it to be used for future payables into the Mainland China. Alternatively, the RMB proceeds can be converted to ringgit or other foreign currencies.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

For further enquiries, please contact
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**Payment
for Trade in
Renminbi**